



# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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July 18, 2002

TO: Minerals File

THRU: Wayne Hedberg, Permit Supervisor

FROM: Paul Baker, Senior Reclamation Biologist *MB*

RE: Meeting Documentation; Moab Salt, LLC; Cane Creek Potash Mine; M/019/005, Grand County, Utah

Date of Meeting: May 28, 2002

Location: Oil, Gas and Mining Office

Time of Meeting: 10:30 a.m. to 12:15 p.m.

Participants: Rick York, Rick Klein, and Hugh Harvey, Moab Salt; Mark Hermundstad of Williams, Turner and Holmes, P.C., representing Moab Salt; Doug Jensen, Wayne Hedberg, Tony Gallegos, and Paul Baker, DOGM

## Purpose of Meeting:

The purpose of the meeting was to discuss the escalated bond for the Cane Creek Mine and to start to resolve some of the differences between bond calculations made by the Division and the estimate submitted by EarthFax in behalf of Moab Salt.

## Background Information:

Intrepid Oil and Gas, LLC, purchased the facility about two and one-half years ago. The mine is now producing about 100,000 tons per year, and the life of mine is now estimated to be about 50 more years. Moab Salt representatives stated that the horizontal drilling has proven very successful in developing the project area and in confirming ore reserves. Production is entirely from areas on which School and Institutional Trust Lands (SITLA) owns the minerals rights. The surface is owned by the operator. There is one federal lease within the permit area that is not yet being mined. One federal right-of-way exists that is presently part of a potential land exchange.

About two years ago, Tony Gallegos and Doug Jensen visited the site to measure and examine the buildings so they would have adequate information for calculating the reclamation bond. On August 14, 2000, the Division sent an escalated bond estimate to Moab Salt; the recalculated bond was considerably higher than the surety presently being held by the Division. On April 5, 2001, the

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Division received a revised mining and reclamation plan from Moab Salt. On August 14, 2001, the Division responded to this proposal and requested information justifying the bond calculations in the revised plan. The Division rejected the estimate, calculated by EarthFax, Inc, because it contained no back-up data for the changes they made to the previous August 14, 2000 Division bond estimate.

**Discussion and Conclusions:**

The Moab Salt representatives discussed some of the reclamation options, including reclaiming the site to a recreational postmining land use, potentially with a destination resort, with rail access that could include a golf course and other recreational activities. Because the surface is owned by the operator, the operator feels he should be able to dictate the end use to some extent. Company reps also stated that the 1.7 million cubic yard salt storage stockpile is being contemporaneously reclaimed. The salt stockpile is being gradually consumed as it is re-injected as a "solvent" into the ore zones to extract the potash brines.

We reached the following conclusions:

- The operator needs to provide the Division with a formal response to our August 14, 2001, letter. Moab Salt representatives agreed to do so within the next couple weeks (received June 12, 2002).
- The Division needs information justifying the premises for the bond calculations. The Division rarely allows salvage value to be used in the calculations. The operator needs to explain the different inflation factors, concrete demolition factors, unit costs, and provide other information as discussed in the Division's August 14, 2001, letter.
- Before the Division can approve alternate postmining land uses, it needs information showing there is a reasonable likelihood of achieving these uses. This could include contracts with the county or other entities that might assume management of the facilities. It may be difficult to document and certify post-mining land uses that would not begin for another 50 years.

jb

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